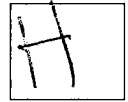


**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-02234A  
H2O, Inc.  
41502 N Schnepf Rd.  
Queen Creek AZ 85242

RECEIVED

MAY 25 2007

AZ CORP COMM  
Director Utilities

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2006
----	----	------

FOR COMMISSION USE

ANN 04	06
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PROCESSED BY:

5-25-07

SCANNED

## COMPANY INFORMATION

**Company Name (Business Name)** H2O Inc

**Mailing Address** 41502 N Schnepf Rd

(Street)

**Queen Creek**

(City)

**Arizona**

(State)

**85242**

(Zip)

(480) 491-6971

Telephone No. (Include Area Code)

(480) 491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** H2O-INC.COM

**Local Office Mailing Address** 41502 N Schnepf RD

(Street)

**Queen Creek**

(City)

**Arizona**

(State)

**85242**

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

## MANAGEMENT INFORMATION

**Management Contact:** \_\_\_\_\_

**Donald Schnepf**

(Name)

**President**

(Title)

41502 N Schnepf Rd

(Street)

**Queen Creek**

(City)

**Arizona**

(State)

**85242**

(Zip)

(480) 491-6971

Telephone No. (Include Area Code)

(480) 491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** donald @ futureone.com

**On Site Manager:** \_\_\_\_\_

**same as above**

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:** Darel Schnepf

(Name)

11051 E. Balancing Rock Rd

(Street)

Scottsdale

(City)

Arizona

(State)

85267

(Zip)

(480) 491-6971

Telephone No. (Include Area Code)

(480) 491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Attorney:** Richard L. Sallquist – Sallquist Drummond

(Name)

4500 S Lake Shore Dr Ste 339

(Street)

Tempe

(City)

Arizona

(State)

85282

(Zip)

(480) 839-5202

Telephone No. (Include Area Code)

(480) 345-0412

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**X Please mark this box if the above address(es) have changed or are updated since the last filing.**

### **OWNERSHIP INFORMATION**

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

### **COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☒ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☒ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

<b>COMPANY NAME</b>	<b>H2O, INC.</b>
---------------------	------------------

**UTILITY PLANT IN SERVICE**

h2o g/l#	<b>Acct. No.</b>	<b>DESCRIPTION</b>	<b>Original Cost (OC)</b>	<b>Accum Depn (AD)</b>	<b>O.C.L.D. (OC - AD)</b>
	301	Organization			
302	302	Franchises	42,960	480	42,480
310	303	Land & Land Rights	9,190	0	9,190
317-390	304	Structures and Improvements	505,105	6,818	498,287
314	307	Well & Springs	233,848	39,334	194,514
321,325,328	311	Pumping Equipment	3,775,463	258,213	3,517,250
332	320	Water Treatment Equipment	50,318	11,630	38,688
342	330	Dist Reservoirs & Sandpipes	2,984,374	103,471	2,880,903
343	331	Trans & Dist Mains	1,549,259	371,729	1,177,530
345	333	Services	191,377	46,611	144,766
346	334	Meters & Meter Installations	1,976,626	445,798	1,530,827
348	335	Hydrants	28,407	5,385	23,022
	336	Backflow Devices	0	0	0
	339	Other Plant & Misc Equipmt	0	0	0
391	340	Office Furniture & Equipmt	89,046	42,760	46,285
392	341	Transporation Equipment	69,624	18,362	51,262
394	343	Tools, Shop Equipment	47,694	10,900	36,794
	344	Laboratory Equipment			0
396	345	Power Operated Equipment	29,569	24,600	4,969
397	346	Communication Equipment	228,989	14,824	214,165
	347	Miscellaneous Equipment	0	0	0
395	348	Other Tangible Plant	153,120	77,458	75,663
		<b>TOTALS</b>	<b>11,964,970</b>	<b>1,478,374</b>	<b>10,486,595</b>

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

H2O, INC.

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

h2o g/l#	Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1 x 2)
	301	Organization			
302	302	Franchises	42,960.13	0.15%	64.01
310	303	Land & Land Rights	9,190.00	0.00%	0.00
317-390	304	Structures	505,104.64	0.35%	1,754.21
314	307	Well & Springs	233,847.98	1.75%	4,103.93
321,325,328	311	Pumping Equipment	3,775,462.68	1.00%	37,821.77
332	320	Water Treatment Equipment	50,318.24	5.02%	2,524.96
342	330	Dist Reservoirs	2,984,374.29	0.61%	18,281.39
343	331	Trans & Dist Mains	1,549,259.03	1.95%	30,278.60
345	333	Services	191,377.39	5.26%	10,061.13
346	334	Meters	1,976,625.78	8.80%	173,936.02
348	335	Hydrants	28,407.19	0.07%	20.93
	336	Backflow Devices	0.00		
	339	Other Plant	0.00	0.00%	0.00
391	340	Office Furniture	89,045.73	8.82%	7,857.14
392	341	Transportation Equip	69,623.99	10.19%	7,092.53
394	343	Tools & Equip	47,694.03	4.15%	1,981.22
	344	Laboratory Eq	0.00		
396	345	Power Operated Equipment	29,568.68	3.79%	1,120.51
397	346	Communication Equipment	228,989.44	1.50%	3,443.22
	347	Miscellaneous Equipment	0.00		
395	348	Other Tangible Plant	153,120.36	14.52%	22,227.92
	<b>TOTALS</b>		<b>11,964,970</b>	<b>2.70%</b>	<b>322,569.49</b>

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

<b>COMPANY NAME</b>	<b>H2O, INC.</b>
---------------------	------------------

**BALANCE SHEET**

<b>Acct. No.</b>	<b>ASSETS</b>	<b>BALANCE AT BEGINNING OF YEAR</b>	<b>BALANCE AT END OF YEAR</b>
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	1,497,662	2,556,179
134	Working Funds		
135	Temporary Cash Investments	0	0
141	Customer Accounts Receivable	216,281	237,607
146	Notes/Receivables from Associated Companies	101,674	116,082
151	Plant Material and Supplies	0	0
162	Prepayments	27,136	29,692
174	Miscellaneous Current and Accrued Assets	(690,608)	0
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>1,152,145</b>	<b>2,939,561</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	9,143,174	7,153,954
103	Property Held for Future Use	49,528	49,528
105	Consturction Work in Progress	637,151	4,761,488
108	Accumulated Depreciation - Utility Plant	(1,122,288)	(1,478,374)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	<b>8,707,566</b>	<b>10,486,596</b>
	<b>TOTAL ASSETS</b>	<b>9,859,711</b>	<b>13,426,157</b>

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

<b>COMPANY NAME</b>	<b>H2O, INC.</b>
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**BALANCE SHEET (CONTINUED)**

<b>Acct. No.</b>	<b>LIABILITIES</b>	<b>BALANCE AT BEGINNING OF YEAR</b>	<b>BALANCE AT END OF YEAR</b>
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$ 165,696	\$ 117,563
232	Notes Payable (Current Portion)	\$ -	\$ -
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	\$ 75,230	\$ 120,551
236	Accrued Taxes	\$ 28,419	\$ 18,534
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	\$ 42,775	\$ 41,192
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 312,120</b>	<b>\$ 297,840</b>
	<b>LONG-TERM DEBE (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 244,932	\$ 240,387
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	\$ 3,214,795	\$ 4,750,205
255	Accumulated Defearred Investment Tax Credits		
271	Contrubutions in Aid of Construction	\$ 5,874,275	\$ 7,947,243
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax.		
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 9,089,070</b>	<b>\$ 12,697,448</b>
	<b>TOTAL LIABILITIES</b>	<b>\$ 9,646,122</b>	<b>\$ 13,235,675</b>
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 38,785	\$ 38,785
211	Paid in Capital in Excess of Par Value	\$ 14,397	
215	Retained Earnings (Sub S Corp prior to 1978)	\$ (46,276)	\$ (46,276)
	Retained Earnings (C Corp)	\$ 207,752	\$ 171,565
	Current Operations	\$ (1,070)	\$ 26,407
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	<b>\$ 213,588</b>	<b>\$ 190,482</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 9,859,710</b>	<b>\$ 13,426,157</b>

COMPANY NAME	H2O, INC.
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### COMPARATIVE STATEMENT OF INCOME AND EXPENSE

G/L #	Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	461	Metered Water Revenue	2,272,375.95	2,908,115.44
	460	Unmetered Water Revenue	590.00	
421,471	474	Other Water Revenue	177,628.78	172,274.38
		<b>TOTAL REVENUES</b>	<b>2,450,594.73</b>	<b>3,080,389.82</b>
		<b>OPERATING EXPENSES</b>		
620,902,920,930-03	601	Salaries and Wages	807,753.63	1,153,769.78
610-01	610	Purchased Water	30,789.16	44,252.52
622	615	Purchased Power	192,019.76	236,423.71
631-01	618	Chemicals	5,092.75	4,229.38
650	620	Repairs and Maintenance	237,519.97	228,783.81
921	621	Office Supplies and Expense	171,069.47	265,885.60
902-01,923-06	630	Outside Services	129,847.76	160,580.66
631-02	635	Water Testing	24,453.58	12,289.11
641,642,643	641	Rents	210,063.67	192,036.90
933-01,2,3,4,5	650	Transportation Expenses	153,475.14	182,654.48
924-00	657	Insurance - General Liability	38,892.60	46,695.00
926-00	659	Insurance - Health and Life	18,010.34	27,819.06
928	666	Regulatory Commission Expense - Rate Case	8,616.54	5,949.97
	675	Miscellaneous Expense		23,467.78
603-00	403	Depreciation Expense	254,084.53	322,569.49
608-1-1,2,3,4	408	Taxes Other Than Income	67,666.46	80,959.17
608-02	408.11	Property Taxes	82,691.03	74,994.06
608-03	409	Income Taxes	0.00	4,074.85
		<b>TOTAL OPERATING EXPENSE</b>	<b>2,432,046.39</b>	<b>3,067,435.33</b>
		<b>OTHER INCOME/EXPENSE</b>		
980	419	Interest and Dividend Income	-3,567.38	-28,783.44
461-11,472-01,03,05	421	Non-Utility Income	-37,423.74	-41,322.65
610-2,3,5,6,7,8,10	426	Miscellaneous Non-Utility Expenses	47,657.16	40,790.11
627	427	Interest Expense	12,952.76	15,863.94
		<b>TOTAL OTHER INCOME/EXP</b>	<b>19,618.80</b>	<b>-13,452.04</b>
		<b>NET INCOME (LOSS)</b>	<b>-1,070.46</b>	<b>26,406.53</b>

<b>COMPANY NAME</b>	<b>H2O Inc.</b>
---------------------	-----------------

**SUPPLEMENTAL FINANCIAL DATA**  
**Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued	1985	1999		
Source of Loan	Well & Pump Purchase	WIFA		
ACC Decision No.	56327	62620		
Reason for Loan	Backup Source Well	New Source Pump & Storage		
Dollar Amount Issued	\$ 40,000.00	\$ 254,117.00	\$	\$
Amount Outstanding	\$	\$ 207958.05	\$	\$
Date of Maturity	Open	2021		
Interest Rate	9.0%	5.84%	%	%
Current Year Interest	\$	\$ 11448.07	\$	\$
Current Year Principle	\$	\$ 9130.19	\$	\$

Meter Deposit Balance at Test Year End \$ 1,600,755.33

Meter Deposits Refunded During the Test Year \$ 245,810.20

<b>COMPANY NAME</b>	<b>H2O, Inc</b>	
<b>Name of System</b>	<b>11-060</b>	<b>ADEQ Public Water System Number (if applicable)</b>

## **WATER COMPANY PLANT DESCRIPTION**

### **WELLS**

<b>ADWR ID Number*</b>	<b>Pump Horsepower</b>	<b>Pump Yield (gpm)</b>	<b>Casing Depth (Feet)</b>	<b>Casing Diameter (Inches)</b>	<b>Meter Size (inches)</b>	<b>Year Drilled</b>
55-605835 (1)	200	1050	1200'	20/16	6"	1950
55-605837 (3)	200	500	1200'	16/14	8"	1966
55-605834 (4)	300	1400	1200'	16/14	10"	1966
55-605836 (2)	N/A	N/A	1200'	20/16	N/A	1950
55-625006 (CG)	300	1400	940'	16	10"	1972
55-609158 (PCN)	300	1200	878'	16	10"	1946

\* Arizona Department of Water Resources Identification Number

### **OTHER WATER SOURCES**

<b>Name or Description</b>	<b>Capacity (gpm)</b>	<b>Gallons Purchased or Obtained (in thousands)</b>
Queen Creek Water Co.		21192.68

<b>BOOSTER PUMPS</b>		<b>FIRE HYDRANTS</b>	
<b>Horsepower</b>	<b>Quantity</b>	<b>Quantity Standard</b>	<b>Quantity Other</b>
15	7	709	
20	3		
50	15		
100	2		

<b>STORAGE TANKS</b>		<b>PRESSURE TANKS</b>	
<b>Capacity</b>	<b>Quantity</b>	<b>Capacity</b>	<b>Quantity</b>
200,000 Gal	1	5,000	7
300,000 Gal	1		
500,000 Gal	1		
750,000 Gal	4		

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

<b>COMPANY NAME</b>	<b>H2O, Inc.</b>	
<b>Name of System</b>	<b>11-060</b>	<b>ADEQ Public Water System Number (if applicable)</b>

### **WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

<b>MAINS</b>		
<b>Size (in inches)</b>	<b>Material</b>	<b>Length (in feet)</b>
2		
3		
4		8,752.00
5		
6		154,033.00
8		252,453.00
10		
12		224,077.00

<b>CUSTOMER METERS</b>	
<b>Size (in inches)</b>	<b>Quantity</b>
5/8 X 3/4	236
3/4	6119
1	212
1 1/2	22
2	79
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

**For the following three items, list the utility owned assets in each category for each system.**

#### TREATMENT EQUIPMENT

2 – Capital Control Gas Chlorinator \_\_\_\_\_

3 – Regal Gas Chlorinator \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### STRUCTURES:

Electric Service Entrances on Wells 1,3,4, Castlegate and Pecan Creek North \_\_\_\_\_

Electric Service Entrances on Booster Plants Main, Links, Castlegate and Pecan Creek N. \_\_\_\_\_

Chlorine enclosures at Main, Well #4, Castlegate, Links and Pecan Creek N. \_\_\_\_\_

Steel Shade over Pumps & Electrical Equipment at Main, Links, Castlegate & Pecan Creek N. \_\_\_\_\_

8' Block Walls at Main Well #4, Links, Castlegate & Pecan Creek N. \_\_\_\_\_

Chain Link fence at Well #3 \_\_\_\_\_

#### OTHER:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

<b>COMPANY NAME:</b>	<b>H2O, Inc</b>
<b>Name of System</b>	<b>11-060 ADEQ Public Water System Number (if applicable)</b>

### **WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006**

<b>MONTH/YEAR</b>	<b>NUMBER OF CUSTOMERS</b>	<b>GALLONS SOLD (Thousands)</b>	<b>GALLONS PUMPED (Thousands)</b>	<b>GALLONS PURCHASED (Thousands)</b>
<b>JANUARY</b>	5785	59,805.4	63,531.3	1,538.41
<b>FEBRUARY</b>	5833	51,247.6	54,440.3	1,571.66
<b>MARCH</b>	5818	49,829.6	52,934.0	1,119.97
<b>APRIL</b>	5739	68,513.0	72,781.4	1,243.14
<b>MAY</b>	6000	80,492.1	85,506.8	1,206.70
<b>JUNE</b>	6084	108,959.7	115,747.9	1,991.34
<b>JULY</b>	6180	103,769.7	110,234.6	1,067.46
<b>AUGUST</b>	6324	74,451.7	79,090.0	3,048.66
<b>SEPTEMBER</b>	6407	72,167.7	76,663.7	2,526.10
<b>OCTOBER</b>	6488	65,570.4	69,655.4	2,627.46
<b>NOVEMBER</b>	6548	82,749.3	87,904.6	2,207.72
<b>DECEMBER</b>	6668	50,455.4	53,598.8	1,044.00
<b>TOTALS →</b>		<b>868,011.6*</b>	<b>922,088.7**</b>	<b>21,192.68</b>

**What is the level of arsenic for each well on your system? 0.002 mg/l**

*(If more than one well, please list each separately.)*

**If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs**

**If system has chlorination treatment, does this treatment system chlorinate continuously?**

**( X ) Yes                      ( ) No**

**Is the Water Utility located in an ADWR Active Management Area (AMA)?**

**( X ) Yes                      ( ) No**

**Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?**

**( X ) Yes                      ( ) No**

**If yes, provide the GPCPD amount: 100**

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

COMPANY NAME H2O, Inc. YEAR ENDING 12/31/2006

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2006 was: \$ 66,680.80

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

H2O, INC.  
OPERATING ACCOUNT  
41502 NORTH SCHNEPP ROAD  
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK  
86-204/1031

5366

4/3/2006

PAY TO THE  
ORDER OF PINAL COUNTY TREASURER

\$ \*\*29,979.58

Twenty-Nine Thousand Nine Hundred Seventy-Nine and 58/100 \*\*\*\*\* DOLLARS

PINAL COUNTY TREASURER  
P.O. BOX 729  
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

**COPY NOT NEGOTIABLE**

MEMO

2nd half of 2005

⑈005366⑈ ⑆103102041⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

5366

Date	Type	Reference	Original Amt.	Balance Due	4/3/2006 Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
				Check Amount		29,979.58

OPERATING ACCOU 2nd half of 2005

29,979.58

H2O, INC. / OPERATING ACCOUNT

5366

Date	Type	Reference	Original Amt.	Balance Due	4/3/2006 Discount	Payment
10/13/2005	Bill	parcel 908-44-40404	29,979.58	29,979.58		29,979.58
				Check Amount		29,979.58

PAYMENT  
RECORD

OPERATING ACCOU 2nd half of 2005

29,979.58

HNC, INC. OPERATING ACCOUNT 4100 NORTH COUNTY ROAD GUMBY CREEK, AL 36047		HOME NATIONAL BANK 10-0047008	5366
		4/5/2006	
PAY TO THE ORDER OF PINAL COUNTY TREASURER		\$ 29,979.58	
Twenty-Nine Thousand Nine Hundred Seventy-Nine and 58/100		DOLLARS	00
PINAL COUNTY TREASURER P.O. BOX 739 FLORENCE, AZ 85222-0729		VOID AFTER 60 DAYS	
2nd half of 2006 906 44-40104			
⑈005366⑈ 4103302041⑈ 10023227⑈		⑈0002997958⑈	

Check 5366, Amount \$29,979.58 Processed 4/10/2006

H2O, INC.  
OPERATING ACCOUNT  
41502 NORTH SCHNEPF ROAD  
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK  
86-204/1031

6172

10/23/2006

PAY TO THE ORDER OF PINAL COUNTY TREASURER

\$ \*\*36,701.22

Thirty-Six Thousand Seven Hundred One and 22/100

DOLLARS

PINAL COUNTY TREASURER  
P.O. BOX 729  
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

**COPY NOT NEGOTIABLE**

MEMO

⑈006172⑈ ⑆103102041⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

6172

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
				Check Amount		36,701.22

OPERATING ACCOU

36,701.22

H2O, INC. / OPERATING ACCOUNT

6172

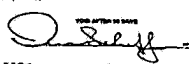
Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	104-47-038B	86.32	86.32		86.32
09/15/2006	Bill	104-46-061B	63.48	63.48		63.48
09/15/2006	Bill	104-46-077C	94.44	94.44		94.44
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	908-44-403F2	15.94	15.94		15.94
09/15/2006	Bill	104-69-001F	10.38	10.38		10.38
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
				Check Amount		36,701.22

OPERATING ACCOU

36,701.22

Account 10023227

Home National – Image Statement

HCO, INC. OPERATING ACCOUNT 1100 NORTH 30TH AVENUE CLARK CREEK, AL 36012		HOME NATIONAL BANK MEMPHIS, TN	6172
		10/23/2006	
PAY TO THE ORDER OF	PINAL COUNTY TREASURER	\$ 36,701.22	
Thirty Six Thousand Seven Hundred One and 22/100		DOLLARS	0 2
PINAL COUNTY TREASURER P.O. BOX 729 FLORENCE, AZ 85302-0729		VOID AFTER 60 DAYS 	
DEPOSIT		VOID	
⑈006172⑈ ⑆103102041⑆ 10023227⑈		⑈0003670122⑈	

Check 6172, Amount \$36,701.22 Processed 10/27/2006

VERIFICATION  
AND  
SWORN STATEMENT  
Taxes

RECEIVED

MAY 25 2007

AZ CORP COMM  
Director Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)

Pinal

NAME (OWNER OR OFFICIAL) TITLE Donald Schnepf - President

COMPANY NAME H2O, Inc.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

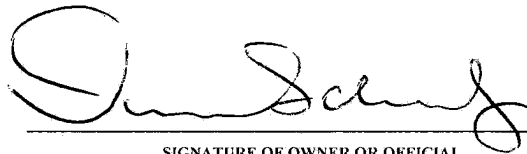
MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



SIGNATURE OF OWNER OR OFFICIAL

480-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

24<sup>th</sup>

DAY OF

COUNTY NAME

Maricopa

MONTH

May

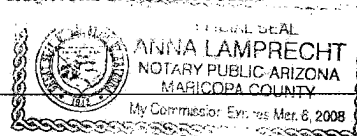
2007

(SEAL)

MY COMMISSION EXPIRES March 6, 2008



SIGNATURE OF NOTARY PUBLIC



**COMPANY NAME** H2O Inc. **YEAR ENDING 12/31/2006**

**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported \_\_\_\_\_  
Estimated or Actual Federal Tax Liability \_\_\_\_\_

State Taxable Income Reported \_\_\_\_\_  
Estimated or Actual State Tax Liability \_\_\_\_\_

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances \_\_\_\_\_  
Amount of Gross-Up Tax Collected \_\_\_\_\_  
Total Grossed-Up Contributions/Advances \_\_\_\_\_

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

\_\_\_\_\_  
**SIGNATURE**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**PRINTED NAME**

\_\_\_\_\_  
**TITLE**

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

RECEIVED

MAY 25 2007

AZ CORP COMM  
Director Utilities

**VERIFICATION**

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Pinal
NAME (OWNER OR OFFICIAL) TITLE	Donald Schnepf - President
COMPANY NAME	H2O Inc.

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**


IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 3,121,712.47

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 209,042.53  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

  
SIGNATURE OF OWNER OR OFFICIAL  
480-441-6921  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

23rd

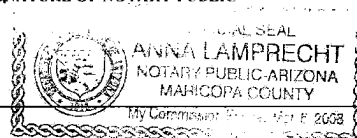
DAY OF

(SEAL)

COUNTY NAME	Maricopa	
MONTH	May	20 <u>07</u> <sup>th</sup>

MY COMMISSION EXPIRES March 6, 2008

  
SIGNATURE OF NOTARY PUBLIC



**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE**  
Intrastate Revenues Only

RECEIVED

MAY 25 2007

AZ CORP COMM  
Director Utilities

**VERIFICATION**

**STATE OF ARIZONA**

**I, THE UNDERSIGNED**

**OF THE**

COUNTY OF (COUNTY NAME) <b>Pinal</b>	
NAME (OWNER OR OFFICIAL) <b>Donald Schnepf</b>	TITLE <b>President</b>
COMPANY NAME <b>H2O Inc</b>	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
<b>12</b>	<b>31</b>	<b>2006</b>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

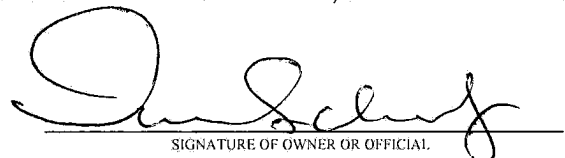
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 2,566,222.07

THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 172,331.95  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL

480-441-6971  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

23rd

DAY OF

NOTARY PUBLIC NAME <b>Anna Lamprecht</b>	
COUNTY NAME <b>Maricopa</b>	
MONTH <b>May</b>	200 <b>7</b>

(SEAL)

MY COMMISSION EXPIRES

March 6, 2008

X   
SIGNATURE OF NOTARY PUBLIC

